



EXECUTIVE DIGEST

OF THE CURRENT REAL ESTATE ANALYST REPORTS

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Editor

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REAL ESTATE ACTIVITY

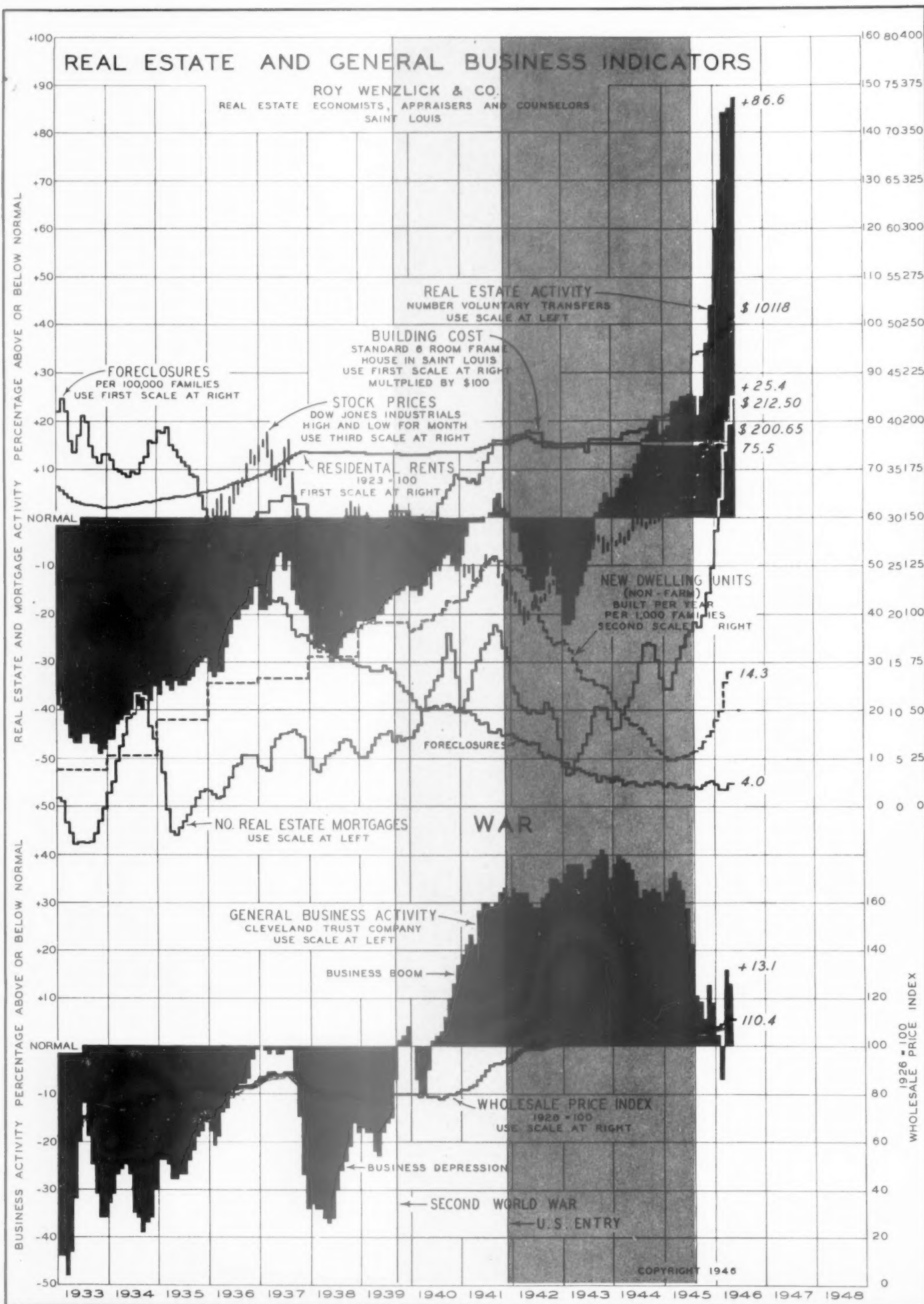
Real estate activity in the principal cities of the United States for May was 86.6 per cent above the long-term normal as computed for our chart. This compares with a final figure for April of 85.1 per cent above normal, and a figure for March of 83.8 per cent above normal. April was the first month which did not show a sizable percentage increase over the preceding month; in fact, the increase amounted to only 1.3 per cent. Again in May the increase over April amounted to only 1.5 per cent. After the very rapid rises which were the rule in the last part of 1945 and the early part of 1946, these figures would indicate that in most cities real estate activity has leveled off and, while it is still continuing high, it is no longer making the spectacular gains which were current a short time ago.

It was to be expected that real estate activity would necessarily level off very shortly as it had gone to such tremendous heights that little further gain could be expected. In comparison with the past, real estate activity at the present is approximately twice the level of the peak of the boom of the twenties and it is one-third higher than the peak of the boom of the early nineteen hundreds.

It is quite probable that real estate activity may sink slightly during the coming months and then move sideways for a while with no pronounced trend in either direction. It is quite surprising that real estate activity has stayed as high as it has this spring in view of the strike difficulties in cities scattered throughout the United States. According to the charts in this month's issue of The Real Estate Analyst, out of 93 major cities, 39 in March had less manufacturing employment than they had in 1937 and in a few cities the amount of manufacturing employment was 40 or more per cent below the 1937 level. Figures are not yet available for April on manufacturing employment but, as the coal strike took place in April and the railroad strike started on May 23, the chances are that manufacturing employment showed a relatively poor picture in April and May. This has undoubtedly affected the transfer of real estate. If strike difficulties are now over, it seems that in spite of the relatively high level real estate transfers have been maintaining, no very large drop can be expected in the relatively near future.

REAL ESTATE MORTGAGES

In spite of the fact that there are relatively few large mortgages being made, real estate mortgage activity as computed on our chart has risen to a point 25.4 per cent above the long-term computed normal. This compares with a figure for April of 20.4 and for May of a year ago 26.8 per cent below normal.



BUILDING COSTS OF A STANDARD SIX ROOM FRAME RESIDENCE BUILT IN ST. LOUIS

\$13,000

12,500

12,000

11,500

11,000

10,500

10,000

9,500

9,000

8,500

8,000

7,500

7,000

6,500

6,000

5,500

5,000

4,500

4,000

3,500

3,000

2,500

2,000

1,500

1,000

500

0

BUILDING COSTS IN DOLLARS

1913 1915

1920

1925

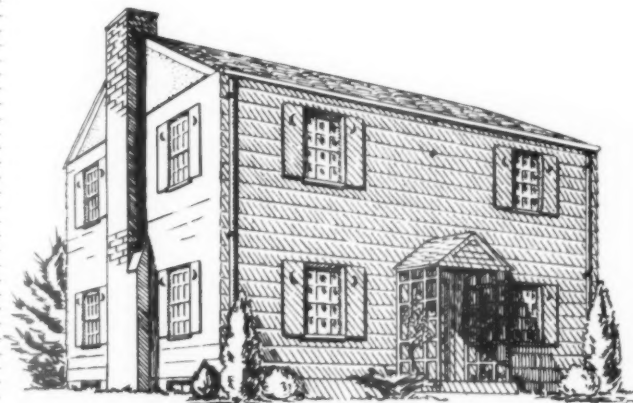
1930

1935

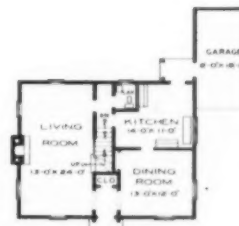
1940

1945

1950



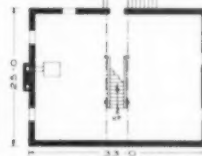
25,376 CUBIC FEET



FIRST FLOOR PLAN



SECOND FLOOR PLAN



BASEMENT PLAN

TOTAL COST

OVERHEAD

DIRECT LABOR

MATERIALS

GROUP A

GROUP B

GROUP C

GROUP D

GROUP E

COL. 13

COL. 14

COL. 15

BUILDING COSTS OF A STANDARD SIX ROOM FRAME RESIDENCE BUILT IN SAINT LOUIS

Costs are grouped into four classifications of material, four of labor and three of overhead. A further breakdown of these groups is given in detail below. Columns of the table are numbered, and a brief description of the items included in each is given in the paragraphs below. Paragraphs are numbered to correspond with the columns described. Building material costs are indicated by the letter M; corresponding labor items, in red by the letter L.

*No labor items are shown in Column 10, Building Hardware, as they have already been included in Column 5, Millwork.

Group A

- (1) Masonry: Cement, sand, gravel, quick lime, hydrated lime, hard wall plaster, face and common brick, fire brick, flue lining.
- (2) Tile Work: $\frac{1}{2}$ x $\frac{1}{2}$ wall tile, ceramic floor tile, cap and base.

Group B

- (3) Unfinished Lumber: Columns, beams, floor and ceiling joists, interior and exterior studs, rafters, bracing, etc.
- (4) Finished Lumber: Sub-flooring, sheathing, beveled siding, finished floors, asphalt shingle roofing, roofing felt, tar paper, shutters, etc.
- (5) Millwork: Windows, doors, trim, kitchen cabinet, stairs.

Group C

- (6) Heating: Boiler, insulating jackets, fittings, tools, pipes, con-

nections, valves and radiation.

- (7) Plumbing: Soil pipes and connections, stack, water pipe and connections, lead oakum and bathroom fixtures; hot water heater and tank to be furnished by others.

Group D

- (8) Sheet Metal: Galv. iron (present) gutters, downspouts, flashing.
- (9) Electrical Work: Main switch, BX cable, switch boxes, receptacles, transformer, etc. No fixtures included.
- (10) Nails and Hardware: Common and wire nails, bolts, damper, ash doors, finish hardware.
- (11) Painting: White lead, linseed oil, turpentine.
- (12) Miscellaneous: Metal and wood laths, corner bead, insulation.

Total Material and Labor Costs

Group E

- (13) Overhead and profit of subcontractors in plastering, metal work, heating, plumbing, electrical work and tile work.
- (14) General contractor's profit.
- (15) Missouri sales tax (now 2% on materials), old age and unemployment tax (Federal and State), liability and employees' compensation insurance, fire and tornado insurance, completion bond.
- (16) Total overhead, profit and other costs.

TOTAL CONSTRUCTION COST

YEAR	GROUP A		GROUP B		GROUP C		GROUP D		GROUP E		TOTAL																			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		(11)	(12)	Total	(13)	(14)	(15)	(16)												
	M L	M L	M L	M L	M L	M L	M L	M L	M L	M L		M L	M L	M L	M L	M L	M L	M L												
1913	343	388	24	13	218	101	428	134	350	121	152	136	231	110	65	12	36	49	59	16	64	51	18	1973	1146	248	337	132	717	3836
1914	362	388	24	13	212	101	415	134	349	121	147	136	248	110	59	12	32	49	59	16	64	50	18	1973	1146	248	337	132	717	3836
1915	360	388	24	13	189	108	373	145	329	131	152	144	249	116	68	12	38	52	64	17	69	48	19	1911	1197	257	337	135	729	3837
1916	366	396	24	13	224	108	438	145	363	131	203	144	309	116	101	12	55	52	86	22	69	59	19	2250	1205	295	375	142	812	4267
1917	456	413	25	14	258	109	500	146	396	132	244	152	359	122	108	12	59	54	110	26	69	69	19	2610	1242	325	418	152	895	4747
1918	539	421	25	15	292	118	570	158	449	143	322	152	359	124	95	14	52	54	118	30	75	73	21	2924	1295	346	457	163	966	5185
1919	624	453	25	15	519	128	1008	170	729	154	290	160	349	130	83	15	45	57	113	31	81	112	23	3928	1386	342	566	187	1095	6409
1920	742	463	28	17	607	183	1189	243	1030	220	305	184	372	150	83	21	46	66	143	36	116	132	32	4713	1695	366	677	227	1270	7678
1921	674	501	25	18	479	188	920	250	506	225	273	192	460	156	64	22	35	69	94	30	119	104	33	3664	1773	372	581	215	1168	6605
1922	609	506	25	18	362	174	703	232	571	209	258	204	433	166	64	20	35	73	79	28	111	81	31	3248	1744	370	536	205	1111	6103
1923	633	576	25	21	410	200	793	268	551	242	267	227	430	184	70	23	38	81	94	28	128	90	36	3429	1986	407	582	228	1217	6632
1924	618	703	25	18	401	246	779	328	492	296	274	277	388	224	64	28	35	100	97	35	156	87	44	3521	2510	527	656	274	1457	7488
1925	606	684	25	18	375	251	732	335	472	302	273	255	381	207	68	29	37	92	89	37	159	83	45	3404	2467	508	638	267	1413	7284
1926	566	653	25	18	379	240	732	320	432	288	264	244	381	197	69	27	37	87	86	36	152	83	43	3316	2359	499	617	254	1370	7045
1927	565	621	25	18	354	228	715	304	358	275	251	184	395	159	67	26	37	66	84	33	145	80	41	3190	2157	469	582	237	1288	6635
1928	563	541	208	97	406	184	644	244	377	220	261	184	382	151	71	21	39	66	85	31	116	74	32	3141	1856	438	544	213	1195	6192
1929	565	541	185	97	360	184	687	244	384	220	270	184	385	151	82	21	45	66	89	33	116	71	32	3156	1856	438	545	213	1196	6208
1930	474	422	185	97	340	135	655	181	312	164	251	140	341	114	71	15	39	50	72	33	87	211	24	2984	1429	380	479	175	1034	5447
1931	411	342	155	57	313	108	594	145	254	131	226	112	322	91	58	12	32	40	61	31	70	198	39	2655	1147	317	412	146	875	4677
1932	438	342	139	51	268	108	532	145	269	131	210	112	286	91	50	12	28	40	60	28	70	199	39	2507	1141	295	395	142	832	4480
1933	457	342	130	51	355	108	562	145	344	131	208	112	270	91	52	12	28	40	54	26	70	214	39	2700	1141	291	413	146	850	4691
1934	540	342	122	51	439	108	713	145	494	131	234	112	279	91	55	12	30	40	63	26	70	222	39	3217	1141	299	466	154	919	5277
1935	508	422	111	67	399	135	638	181	523	164	236	140	292	114	43	15	24	50	62	26	87	229	47	3091	1422	300	481	174	955	5468
1936	506	490	111	67	364	159	655	209	494	188	255	160	301	131	50	19	28	57	59	27	98	221	53	3071	1631	344	505	239	1088	5790
1937	503	512	111	67	395	186	742	245	578	221	247	160	326	141	54	22	29	57	64	31	104	226	53	3306	1768	363	544	310	1217	6291
1938	508	425	103	67	350	157	647	204	571	179	241	160	297	134	47	19	26	57	66	28	88	222	42	3106	1532	333	494	306	1133	5771
1939	513	525	103	77	360	159	660	211	513	190	239	160	277	133	49	19	27	57	64	29	109	192	56	3026	1696	344	505	323	1172	5894
Ja 1940	510	538	103	77	374	158	679	215	567	195	236	160	282	131	58	17	32	57	65	30	93	193	61	3129	1702	352	516	327	1195	6026
Ap 1940	510	538	103	77	371	158	651	215	566	195	236	160	285	131	63	17	35	57	65	30	93	193	61	3108	1702	352	516	327	1195	6005
Jl 1940	510	538	103	77	371	158	651	215	566	195	236	160	285	131	63	17	35	57	65	30	93	193	61	3108	1702	352	516	327	1195	6005
O 1940	510	542	145	86	494	162	763	218	628	197	254	160	294	161	63	17	31	57	66	32	93	203	75	3482	1768	385	564	351	1300	6551
Ja 1941	515	640	145	86	493	182	808	243	645	219	242	160	266	161	62	19	28	58	67	33	104	203	78	3507	1950	380	585	375	1340	6797
Ap 1941	487	639	159	86	463	182	771	243	633	219	251	180	274	149	62	19	28	63	69	33	131	202	79	3432	1990	396	581	376	1353	6775
Jl 1941	510	650	159	86	553	220	802	279	635	252	250	180	274	149	90	19	27	63	72	34	131	220	79	3626	2108	396	613	397	1406	7140
O 1941	514	678	159	86	544	226	861	303	689	274	262	200	289	187	106	29	34	72	80	35	145	227	79	3800	2279	433	650	424	1507	7586
Ja 1942	514	696	175	86	536	231	854	305	689	275	262	200	314	187	64	29	48	72	79	35	145	229	81	3799	2307	431	653	427	1511	7617
Ap 1942	520	696	175	86	547	231	876	305	715	275	273	200	317	187	64	29	50	72	79	38	145	229	81	3883	2307	433	663	429	1525	7717
Jl 1942	520	696	175	86	540	233	874	307	715	276	273	200	317	198	72	29	50	86	79	38	145	229	75	3882	2331	435	668	427	1530	7743
O 1942	520	668	162	86	558	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3881	2111	419	639	403	1461	7453
Ja 1943	520	668	151	86	561	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3873	2111	419	639	402	1460	7444
Ap 1943	520	668	151	86	561	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3873	2111	419	639	402	1460	7444
Jl 1943	520	648	151	99	561	189	884	247	715	222	273	180	317	149	56	20	50	63	79	38	130	223	75	3867	2022	422	631	393	1446	7335
O 1943	528	648	151	99	662	189	1005	247	715	222	273	180	317	149	56	20	50	63	79	38	130	238	75	4112	2022	422	656	398	1476	7610
Ja 1944	528	648	175	99	662	189	1003	247	663	222	273	180	317	149	56	20	50	63	79	38	130	238	75	4082	2022	422	653	398	1473	7577
Ap 1944	528	648	175	99	700	189	1109	247	663	222	273	180	317	149	56	20	50	63	79	38	130	238	75	4226	2022	422	667	400	1489	7737
Jl 1944	528	648	175	99	700	189	1																							

Real estate mortgage activity will continue to increase as it is the result of two causes - first, new building which in almost every case results in a mortgage; and second, the refinancing of existing buildings generally following transfers. The present very heavy transfers coming at a time when new building is gradually getting under way should increase mortgage activity by a sizable amount.

FORECLOSURES

Our preliminary figure for foreclosures for the month of May is 4.0 foreclosures per hundred thousand families. This is not greatly different from the rate which has continued during 1944, 1945 and the first half of 1946. For the period it represents the lowest level ever reached and a level which cannot continue indefinitely. When it starts to rise, it will rise gradually at first as this has been the experience in all preceding periods. It will reach a warning level long before a general collapse in real estate and business activity in the United States. It will not be affected, however, by a minor collapse in business, even though this collapse should go to the proportions of the short depression of 1920 and 1921. Only major depressions with their readjustments in the general price level cause foreclosures to rise rapidly.

NEW BUILDING

In the month of April, the last month for which building figures are available, new building was being started at an annual rate of 14.3 new family accommodations for each 1,000 families. This includes all nonfarm building in the United States. It represents a 180 per cent increase over the same month of a year ago. In the year ending with April, 412,500 new dwelling units were started in all nonfarm areas of the United States in comparison with 155,700 started in the year ending in April 1945.

BUILDING COSTS

The cost of building our six-room standard frame residence in St. Louis on June 15 was \$10,118. This is an increase of \$229 over the May 15 figure of \$9,889. This last rise is due to an increase in carpenters' wages, a slight increase in some heating, plumbing and electrical materials, a 6¢ per ton increase in sand and gravel and a slight increase in brick, nails, turpentine and linseed oil. The cost for June is 70.6 per cent above the cost in 1939 at the beginning of the war in Europe.

It seems that building costs will advance still further and have not yet reached the peak. We believe that the highest cost will be reached some time in 1947. We doubt very seriously whether it can be reached this year. It also seems that the percentage of increase in building costs from the beginning of the war to the peak in the postwar period will be greater than the corresponding increase which accompanied and followed the First World War. This would indicate that the cost of building our house would pass \$11,800.

RENTS

As indicated in our reports during the last few months, no relief is in sight for the owners of residential properties insofar as a modification of rent control is concerned. Neither the House nor the Senate was willing to touch the present rent control situation and it seems probable that little can be done until after the next election, if anything can be done then. Rent control is one of the most difficult of all government controls to eliminate.

The rents on commercial buildings in those communities in which they are not frozen are still rising. Reports from major cities in the United States and Canada, compiled by the National Association of Building Owners and Managers, would indicate that at the present time only three quarters of one per cent of the rentable area is vacant. There is little chance of building new office buildings in any quantity during the next few years as office building rents at the present time are not high enough to support new construction. Only after they rise by a sizable percentage can we expect the present shortage to be relieved, unless the Federal government will drastically contract its space requirements.

BUSINESS ACTIVITY

Business activity has continued to follow a rather erratic course due to the tremendous number of strikes and work stoppages. The current issue of The Real Estate Analyst charts manufacturing employment in all principal cities of the United States, and from these charts will be seen the very serious nature of the interruptions in production which occurred in the first quarter of this year. Probably production of five billion dollars or more has been delayed and prevented in such a fashion that it cannot be recovered during 1946. If we can expect a reasonable amount of labor peace during the balance of the year, business should be extremely good. In most lines a seller's market will continue through the year.

GENERAL PRICE LEVEL

We believe that the propaganda coming out of Washington regarding the rapid price rises due to the limitations of the OPA has little basis in fact. It seems to us that the price level would have risen had we kept the OPA intact, but will probably rise by a smaller percentage during 1946 and 1947 with the OPA restricted. The OPA, in our opinion, has been highly inflationary by hampering production, forcing many persons to sell through the black market or quit. It seems to us that a 10 or 15 per cent increase in general prices is about all that can be expected in spite of the Administration's statements that the curtailing of the OPA will result in increases of 50 per cent or more.

STOCK MARKET

The drop in the market in the last week was one of the worst drops the market has experienced in about nine years since the beginning of the depression of 1937 and 1938. If similar drops in the market persist during the next week or two it will probably mean that the market is forecasting a recession in general business. This would be the primary postwar depression similar, to some extent, to the 1920 and 1921 depression. We rather doubt whether a depression of this sort will develop in 1946, as it seems to us that there are still too many unfilled demands with sufficient purchasing power to keep business on an active plane. It would not surprise us greatly if some sort of a readjustment came during 1947. In our opinion, the next recession in business will not be unusually severe nor unusually long. We believe that a major depression will occur but we think that it is still many years in the future. If this be true, persons buying for the long pull should still use recessions in the market to accumulate first-class equities.